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9 UNITED STATES DISTRICT COURT
10 FOR THE CENTRAL DISTRICT OF CALIFORNIA

11 UNITED STATES OF AMERICA,) CR No. 03-_____
12)
13 Plaintiff,) I N F O R M A T I O N
14 v.)
15) [18 U.S.C. § 371: Conspiracy
16 JOHN C. BOHAN,) to Commit Securities Fraud;
17 MARK D. ROAH, and) 15 U.S.C. §§ 78j(b) & 78ff,
18 LUCREZIA BICKERTON,) and 17 C.F.R. § 240.10b-5:
19 Defendants.) Securities Fraud; 18 U.S.C.
20) § 2: Aiding and Abetting and
21) Causing an Act to be Done]

22 The United States Attorney charges:

23 COUNT ONE

24 [18 U.S.C. § 371]

25 [Defendants ROAH and BICKERTON]

26 I. INTRODUCTION

27 1. At all times relevant to this information:

28 a. L90, Inc. ("L90") was a Delaware corporation
headquartered and with its main operations in Santa Monica and
Marina del Rey, California.

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1 b. Co-conspirator JOHN C. BOHAN ("BOHAN") was a
2 founder of L90, a member of L90's Board of Directors, and L90's
3 President and Chief Executive Officer.

4 c. Defendant MARK D. ROAH ("ROAH") was a founder of
5 L90, a member of L90's Board of Directors, and L90's Senior Vice
6 President -- Business Development.

7 d. Defendant LUCREZIA BICKERTON ("BICKERTON") was an
8 employee in and a consultant to L90's finance department from the
9 time of L90's incorporation through on or about February 1, 2002.
10 At various times, defendant BICKERTON held the titles Director of
11 Finance, Controller, and Vice President -- Finance at L90.

12 **L90's Business**

13 2. L90's primary business was internet advertising
14 representation and sales. L90 would act as a sales
15 representative for a website's advertising space (such as space
16 on the website available for banner ads) and collected consumer
17 marketing information (such as email lists). A website for which
18 L90 served as an advertising sales representative was called an
19 L90 "website partner." L90 would sell the advertising inventory
20 of its website partners, retaining a portion of the sales price
21 as profit.

22 3. In July 2000, L90 acquired a company called
23 Webmillion.com ("Webmillion") as a wholly-owned subsidiary.
24 Webmillion was an internet gaming website. Individual users
25 could register with Webmillion by providing various personal
26 information requested by Webmillion. Once registered, the
27 individual users could play lottery-type and other games on
28 Webmillion, with a chance to win cash and other valuable prizes.

1 Webmillion sold advertising space on its web-site, and also sold
2 the registration information gathered from the Webmillion users
3 to advertisers.

4 **Federal Financial Reporting and Record Keeping Requirements**

5 4. L90's common stock was registered with the United
6 States Securities and Exchange Commission ("SEC") and was listed
7 on the Nasdaq. L90 had shareholders located throughout the
8 United States, including in the Central District of California.

9 5. As a public company, L90 was required to comply with
10 the rules and regulations of the SEC. Those rules and
11 regulations are designed to protect members of the investing
12 public by, among other things, ensuring that a company's
13 financial information is accurately recorded and disclosed to the
14 public.

15 6. Under those regulations, L90 and its officers had a
16 duty to, among other things: (a) make and keep books, records and
17 accounts which, in reasonable detail, fairly and accurately
18 reflected the company's business transactions; (b) devise and
19 maintain a system of internal accounting controls sufficient to
20 provide reasonable assurances that the company's transactions
21 were recorded as necessary to permit preparation of financial
22 statements in conformity with Generally Accepted Accounting
23 Principles ("GAAP"); and (c) file with the SEC quarterly reports
24 (on Form 10-Q) and annual reports (on Form 10-K) containing
25 information about the company's management, board of directors,
26 and business operations, as well as financial statements that
27 accurately presented its financial condition and results of its
28 business operations in accordance with GAAP.

1 7. L90's financial results were publicly reported four
2 times a year, that is quarterly, based on a fiscal year that
3 began January 1. Accordingly, L90's first fiscal quarter began
4 January 1 and ended March 31; its second fiscal quarter began
5 April 1 and ended June 30; its third fiscal quarter began July 1
6 and ended September 30; and its fourth fiscal quarter began
7 October 1 and ended December 31.

8 8. L90's annual financial statements were required to be
9 audited by an independent public accountant. L90's independent
10 public accountant was Arthur Andersen LLP ("Arthur Andersen").

11 **The "Bartering" of Internet Advertising**

12 9. When a website on the internet had advertising
13 inventory that it was unable to sell, it was common for such a
14 website to "barter" that advertising inventory with another
15 website, i.e. to trade its own unsold advertising inventory for
16 unsold advertising inventory on the other website. In such a
17 manner, a website could obtain internet advertising for itself
18 without having to pay cash for such advertising.

19 10. From time to time, L90 would acquire advertising
20 inventory from its website partners. Beginning in or about April
21 1999, co-conspirator BOHAN, defendant BICKERTON, and other
22 persons caused L90 to seek advice from Arthur Andersen as to
23 whether L90, if it bartered such advertising inventory for other
24 advertising inventory, could record the "value" of the bartered
25 inventory as revenue. In or about September 1999, BOHAN,
26 BICKERTON, and other persons learned from Arthur Andersen that
27 such barter transactions could be recorded as revenue only if
28 several requirements were met, and any recorded revenue would

1 have to be disclosed as having been derived from barter
2 transactions. Among the requirements on recording revenue from
3 barter transactions was that L90 obtain an independent appraisal
4 of the fair value of the bartered inventory. In or about October
5 2000, L90 executives told Arthur Andersen that L90 considered the
6 various requirements on recording revenue from barter
7 transactions to be prohibitive, and that L90 therefore would not
8 record advertising barter transactions as revenue.

9 11. On or about March 16, 2000, the Emerging Issues Task
10 Force ("EITF") of the Financial Accounting Standards Board
11 ("FASB") issued EITF Issue No. 99-17, entitled "Accounting for
12 Advertising Barter Transactions," which described requirements
13 for recognizing revenue from advertising barter transactions.
14 Among those requirements was that the fair value of the bartered
15 advertising be objectively assessed, and that the revenue be
16 disclosed in the bartering company's financial statements as
17 revenue from an advertising barter transaction.

18 **Overview of the Scheme to Defraud**

19 12. L90 would periodically announce to the investing public
20 L90's projected future revenue and other financial data. Outside
21 analysts that covered L90 (hereinafter "Wall Street analysts")
22 also would project estimated future L90 revenue and other
23 financial data, and would announce their projections to the
24 investing public.

25 13. Beginning in or about July 2000, co-conspirator BOHAN
26 and other L90 executives became worried that L90's revenue for
27 the third quarter 2000 would fall short of projected revenue
28 estimates for that quarter. In order to ensure that L90's

1 reported revenue met or exceeded projections for the third
2 quarter 2000 and for subsequent quarters, co-conspirator BOHAN,
3 defendants ROAH and BICKERTON, and others persons embarked upon a
4 series of artifices designed to inflate L90's reported revenues
5 to make them appear higher than they really were.

6 14. Among the ways by which co-conspirator BOHAN,
7 defendants ROAH and BICKERTON, and other persons artificially
8 inflated L90's revenue results was through advertising barter
9 transactions and corresponding "check swaps" involving L90's
10 subsidiary Webmillion. As described below, BOHAN, ROAH, and
11 other persons caused Webmillion to enter into advertising barter
12 transactions with other internet advertisers. BOHAN, ROAH,
13 BICKERTON, and other persons then caused L90 and those internet
14 advertisers to exchange checks or wire transfers in amounts
15 representing the "value" assigned to the bartered advertising.
16 BOHAN, BICKERTON, and other persons then caused L90 to record the
17 assigned "value" of the bartered advertising as revenue without
18 disclosing that such revenue resulted from barter transactions.

19 15. This scheme to defraud caused L90 materially to
20 overstate its quarterly revenue results for the third and fourth
21 quarters of 2000, and for the first and second quarters of 2001.
22 Without the advertising barter revenue fraudulently included in
23 L90's quarterly financial results, L90 would have failed to meet
24 projected revenue estimates in the fourth quarter of 2000 and in
25 the first quarter of 2001. Specifically:

26 a. In the fourth quarter of 2000, L90's reported
27 revenue of \$18.3 million, which narrowly surpassed analyst
28 expectations of approximately \$18.2 million, contained more than

1 \$735,000 in fraudulently-recognized barter revenue.

2 b. In the first quarter of 2001, L90's reported
3 revenue of \$10.6 million, which narrowly surpassed analyst
4 expectations of approximately \$10.5 million, contained more than
5 \$2.1 million in fraudulently-recognized barter revenue.

6 II. THE OBJECTS OF THE CONSPIRACY

7 16. From in or about July 2000, and continuing through in
8 or about February 2002, within the Central District of California
9 and elsewhere, co-conspirator BOHAN, defendants ROAH and
10 BICKERTON, and other persons knowingly and unlawfully combined,
11 conspired, and agreed to commit the following offenses against
12 the United States:

13 a. to employ a device, scheme and artifice to defraud
14 in connection with the purchase and sale of L90 securities, using
15 the means and instrumentalities of interstate commerce, in
16 violation of Title 15, United States Code, Sections 78j(b) and
17 78ff, and Title 17, Code of Federal Regulations, Section
18 240.10b-5;

19 b. to make untrue, false, and misleading statements
20 of material fact in reports and documents required to be filed
21 under the Securities Exchange Act of 1934 and the rules and
22 regulations thereunder, in violation of Title 15, United States
23 Code, Sections 78m(a) and 78ff, and Title 17, Code of Federal
24 Regulations, Sections 240.12b-20, 240.13a-1, and 240.13a-13; and

25 c. to knowingly make and cause to be made materially
26 false and misleading statements to Arthur Andersen in connection
27 with its review of L90's financial statements and the preparation
28 of reports required to be filed with the SEC, in violation of 15

1 U.S.C. § 78ff, and Title 17, Code of Federal Regulations,
2 Section 240.13b2-2.

3 III. THE MANNER AND MEANS OF THE CONSPIRACY

4 17. The objects of the conspiracy were carried out by the
5 following means, among others:

6 a. From the third quarter 2000, through and including
7 the second quarter 2001, co-conspirator BOHAN, defendant ROAH,
8 and other persons caused L90's subsidiary Webmillion to enter
9 into advertising barter transactions with other internet
10 advertisers whereby an internet advertiser would purchase
11 advertising from Webmillion, and in exchange Webmillion would
12 purchase a similar dollar amount of advertising from the internet
13 advertiser. Typically, the dollar amounts assigned to the
14 advertising bought and sold pursuant to these transactions were
15 inflated, and did not represent the fair value of the
16 advertising.

17 b. In connection with each of these barter
18 transactions, co-conspirator BOHAN, defendants ROAH and
19 BICKERTON, and other persons caused L90 and the internet
20 advertiser that was a party to the barter transaction to engage
21 in a "check swap," that is, an exchange of checks or wire
22 transfers for similar dollar amounts that corresponded to the
23 purported value of the advertising exchanged.

24 c. Frequently, co-conspirator BOHAN, defendants ROAH
25 and BICKERTON, and other persons caused a third-party
26 intermediary to be inserted into the check swap, the purpose of
27 which was to disguise the true nature of the transaction in order
28 to make it appear as though the buyer of advertising from

1 Webmillion and the seller of advertising to Webmillion were
2 different entities, when in fact they were the same.

3 d. The amount paid by L90 less the amount received by
4 L90 pursuant to these barter and check swap agreements netted, in
5 essence, to zero. According to GAAP, the amounts received
6 through these barter and check swap agreements could not be
7 recognized as revenue and, to the extent these amounts were
8 included in L90's financial statements, they had to be disclosed
9 as having been derived from barter transactions.

10 e. It was part of the conspiracy that co-conspirator
11 BOHAN, defendants ROAH and BICKERTON, and other persons regularly
12 met and spoke in person and by telephone, and corresponded by
13 email during the relevant time period to discuss, among other
14 things, the status of revenue for the quarter, and to compare
15 L90's likely quarterly revenues with Wall Street analysts'
16 projected revenues and other targets. If it appeared that L90
17 would fall short of these projections, BOHAN, ROAH, and other
18 persons would cause Webmillion to enter into barter agreements
19 with internet advertisers, and cause L90 and those internet
20 advertisers to enter into corresponding "check swaps" in a total
21 amount sufficient to cover any shortfall.

22 f. Co-conspirator BOHAN, defendant BICKERTON, and
23 other persons would then cause L90 fraudulently to recognize
24 revenue from these advertising barter transactions in the amount
25 necessary to make it appear that the quarterly targets had been
26 met.

27 g. In addition to entering into the transactions
28 described above, and fraudulently recognizing revenue from such

1 transactions in amounts necessary to meet targeted goals, co-
2 conspirator BOHAN, defendant BICKERTON, and other persons would
3 use the following means to achieve and attempt to achieve the
4 goals of the scheme:

5 (i) Concealing the true nature of the
6 revenue-generating barter transactions from Arthur Andersen;

7 (ii) Causing false statements and/or material
8 omissions to be made to Arthur Andersen regarding the nature and
9 extent of the barter transactions;

10 (iii) Causing materially false and misleading
11 financial statements to be made on Forms 10-Q and 10-K with the
12 SEC; and

13 (iv) Causing materially false and misleading
14 public statements about L90's financial performance to be made to
15 Wall Street analysts and in press releases.

16 h. The fraudulent recognition of revenue from the
17 transactions described above, and the fraudulent reporting that
18 L90 had met or exceeded projected quarterly and annual revenue
19 results when, in truth, L90's financial results were materially
20 overstated and L90 had not met projected revenue results, had a
21 material impact on the share price of L90.

22 18. On or about February 4, 2002, L90 announced that the
23 Securities and Exchange Commission had subpoenaed financial
24 records from L90, and that L90's Board of Directors had
25 authorized the Audit Committee to conduct its own investigation
26 into L90's accounting practices. L90 stock had opened on
27 February 4, 2002 at \$2.05 per share, and closed that day at \$1.40
28 per share. At the time the announcement was made on February 4,

2002, L90 was scheduled to be sold to eUniverse, Inc. ("eUniverse") in a cash transaction valued at between \$2.00 and \$2.20 per share. Following and as a result of the announcement of the SEC subpoena and internal investigation, the sale to eUniverse was never consummated, and L90's stock price continued to decline below \$1 per share.

IV. OVERT ACTS

19. In furtherance of the conspiracy and in order to accomplish its objects, co-conspirator BOHAN, defendants ROAH and BICKERTON, and other persons committed and caused to be committed the following overt acts, among others, within the Central District of California and elsewhere:

OVERT ACT NO. 1: On or about November 17, 2000, co-conspirator BOHAN sent an email to defendant ROAH in which BOHAN expressed concern that ROAH had not generated a sufficient volume of Webmillion barter deals for L90 to meet its projected revenue target for the fourth quarter 2000.

OVERT ACT NO. 2: On or about December 4, 2000, defendant ROAH sent an email to co-conspirator BOHAN, defendant BICKERTON, and another person, which attached a spreadsheet that listed more than \$2 million in revenue available to be recognized from "barter" advertising deals that had been scheduled to run on Webmillion during the fourth quarter of 2000.

OVERT ACT NO. 3: In or about December 2000, co-conspirator BOHAN, defendant BICKERTON, and other persons caused L90 improperly to recognize in the fourth quarter of 2000 over \$735,000 in revenue from advertising barter transactions, in violation of GAAP.

1 OVERT ACT NO. 4: On or about February 9, 2001, co-
2 conspirator BOHAN, defendant BICKERTON, and other persons signed
3 a "management representation letter" to Arthur Andersen in
4 connection with its audit of L90's fiscal year 2000 financial
5 statements. The letter included the following materially false
6 representations:

7 (i) "The financial statements referred to above [for the
8 year ended December 31, 2000] are fairly presented in conformity
9 with accounting principles generally accepted in the United
10 States."

11 (ii) "There are no material transactions that have not been
12 properly recorded in the accounting records underlying the
13 financial statements."

14 (iii) "There has been no . . . [f]raud involving management
15 or employees who have significant roles in internal control."

16 The foregoing statements were materially false and misleading
17 because BOHAN, BICKERTON, and other persons included and caused
18 to be included improperly-recorded revenue in the financial
19 statements for the year ended December 31, 2000; failed to
20 disclose to Arthur Andersen and others that the revenue L90 was
21 recording from advertising barter transactions was derived from
22 advertising barter transactions; and failed to disclose that
23 management was engaged in and directing others to engage in
24 fraudulent accounting practices.

25 OVERT ACT NO. 5: On or about February 15, 2001, co-
26 conspirator BOHAN, defendant BICKERTON, and other persons caused
27 L90 to issue a press release announcing financial results for the
28 fourth quarter 2000. The announcement was materially false in
that, among other things, it reported that revenues for the
quarter were \$18.3 million. In fact, revenues were materially
overstated by in excess of \$735,000.

1 OVERT ACT NO. 6: On or about March 30, 2001, co-
2 conspirator BOHAN, defendant BICKERTON, and other persons caused
3 L90 to file a report with the SEC on Form 10-K, reporting its
4 financial results for the year 2000 and for the fourth quarter
5 2000. The reported results were materially false and misleading
6 in that they included improperly recorded revenue, failed to
7 disclose that more than \$735,000 of the reported revenue for the
8 fourth quarter 2000 resulted from barter transactions, and failed
9 to disclose that management was engaged in and directing others
10 to engage in fraudulent accounting practices.

11 OVERT ACT NO. 7: On or about March 8, 2001, defendant
12 ROAH sent an email to another L90 employee in which ROAH arranged
13 for an exchange of \$500,000 checks between L90 and another
14 internet advertiser that had entered into an advertising barter
15 agreement with Webmillion.

16 OVERT ACT NO. 8: On or about March 28, 2001, defendant
17 BICKERTON sent an email to co-conspirator BOHAN, defendant ROAH,
18 and other persons in which she arranged for the flow of
19 approximately \$1.6 million cash through a third-party
20 intermediary to internet advertisers that had entered into
21 advertising barter agreements with Webmillion.

22 OVERT ACT NO. 9: In or about March 2001, co-conspirator
23 BOHAN, defendant BICKERTON, and other persons caused L90
24 improperly to recognize in the first quarter of 2001 over \$2.1
25 million in revenue from advertising barter transactions, in
26 violation of GAAP.

27 OVERT ACT NO. 10: On or about April 26, 2001, co-
28 conspirator BOHAN, defendant BICKERTON, and other persons caused

1 L90 to issue a press release announcing financial results for the
2 first quarter 2001. The announcement was materially false in
3 that, among other things, it reported that revenues for the
4 quarter were \$10.6 million and were "in line with analyst
5 expectations." In fact, revenues were materially overstated by
6 in excess of \$2.1 million.

7 OVERT ACT NO. 11: On or about May 10, 2001, co-conspirator
8 BOHAN, defendant BICKERTON, and other persons caused L90 to file
9 a report with the SEC on Form 10-Q, reporting its financial
10 results for the first quarter 2001. The reported results were
11 materially false and misleading in that they included improperly
12 recorded revenue, failed to disclose that more than \$2.1 million
13 of the reported revenue for the first quarter 2001 resulted from
14 barter transactions, and failed to disclose that management was
15 engaged in and directing others to engage in fraudulent
16 accounting practices.

17 OVERT ACT NO. 12: On or about January 3, 2002, co-
18 conspirator BOHAN and other persons caused L90 to file a report
19 with the SEC on Form 8-K, which announced that L90 and eUniverse
20 had agreed to merge; attached a copy of a press release
21 announcing that L90 stockholders would receive between \$2 and
22 \$2.20 per share in connection with the merger; and attached a
23 copy of the merger agreement between L90 and eUniverse. The
24 merger agreement attached to the Form 8-K, which had been signed
25 by BOHAN on or about January 2, 2002, contained the following
26 materially false and misleading representations and warranties:
27 (a) all of L90's reports that previously had been filed with the
28 SEC were free from any materially misleading statement or

1 omission; (b) all of L90's financial statements contained in its
2 previous SEC filings had been prepared in accordance with GAAP
3 and had fairly presented the true financial condition of L90; and
4 (c) L90 had complied with all laws applicable to the conduct of
5 its business.

6 OVERT ACT NO. 13: On or about January 31, 2002, during a
7 telephone conference call with auditors from Arthur Andersen in
8 which the auditors asked about the extent to which L90 had
9 entered into or booked revenue from barter transactions,
10 defendant BICKERTON and other persons concealed from the Arthur
11 Andersen auditors the barter transactions and L90's improper
12 revenue recognition from such barter transactions described
13 above.

14 OVERT ACT NO. 14: On or about February 1, 2002, following
15 the receipt of SEC subpoenas seeking information regarding L90's
16 accounting practices, defendant BICKERTON told co-conspirator
17 BOHAN that she would resign from L90 and that, if asked, she
18 would falsely state that she alone was responsible for any
19 accounting fraud at L90.

20 OVERT ACT NO. 15: On or about February 1, 2002, co-
21 conspirator BOHAN wrote a memorandum to lawyers for L90 in which
22 BOHAN stated that defendant BICKERTON had told him upon her
23 resignation that she alone was responsible for any L90 accounting
24 irregularities. This statement was false and misleading because
25 BICKERTON had not acted on her own. Rather, as BOHAN then knew,
26 BOHAN, ROAH, and other persons also were involved in the
27 fraudulent recognition of revenue at L90.

COUNT TWO

[15 U.S.C. §§ 78j(b), 78ff; 17 C.F.R. § 240.10b-5;
and 18 U.S.C. § 2]

[Defendant BOHAN]

20. The United States Attorney repeats and realleges paragraphs 1 through 15, and 17 through 19, of this information as if fully set forth herein.

21. Beginning in or about July 2000 and continuing through in or about February 2002, in the Central District of California and elsewhere, defendant BOHAN and other persons knowingly and willfully and with the intent to defraud, directly and indirectly, in connection with the purchase and sale of L90 stock, (1) employed a scheme to defraud, (2) made untrue statements of material fact and omitted to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and (3) engaged in acts, practices, and courses of business that operated as a fraud and deceit, as alleged in paragraphs 12 through 15 and 17 through 19 of this information.

22. On or about January 3, 2002, in furtherance of the fraudulent scheme described above, defendant BOHAN and other persons used the means and instrumentalities of interstate commerce in connection with the purchase and sale of L90 stock, as follows: Defendant BOHAN and other persons caused L90 to file, by use of interstate electronic wires, a report with the SEC on Form 8-K, which announced that L90 and eUniverse had agreed to merge; attached a copy of a press release announcing that L90 stockholders would receive between \$2 and \$2.20 per

1 share in connection with the merger; and attached a copy of the
2 merger agreement between L90 and eUniverse. The merger agreement
3 attached to the Form 8-K, which had been signed by defendant
4 BOHAN on or about January 2, 2002, contained the following
5 materially false and misleading representations and warranties:
6 (a) all of L90's reports that previously had been filed with the
7 SEC were free from any materially misleading statement or
8 omission; (b) all of L90's financial statements contained in its
9 previous SEC filings had been prepared in accordance with GAAP
10 and had fairly presented the true financial condition of L90; and
11 (c) L90 had complied with all laws applicable to the conduct of
12 its business.

COUNT THREE

[18 U.S.C. § 371]

[Defendant ROAH]

I. INTRODUCTION

Background

23. At all times relevant to this information:

a. Homestore.com, Inc. ("Homestore") was a Delaware corporation headquartered and with its main operations in Westlake Village, California. Homestore was the largest Internet-based provider of residential real estate listings and related content.

b. Homestore was a publicly traded company. Homestore's stock was traded on the Nasdaq. Homestore had shareholders located throughout the United States, including in the Central District of California.

c. Homestore's outside auditors were PricewaterhouseCoopers ("PwC").

d. NTB Media was a sole proprietorship owned by defendant ROAH.

The Scheme to Defraud

24. Beginning in or about March 2001, and continuing until December 2001, within the Central District of California and elsewhere, high-ranking corporate officers of Homestore, together with defendant ROAH and other persons known and unknown, knowingly and with intent to defraud, devised, attempted to devise, and participated in a scheme to defraud investors and potential investors in Homestore stock, and to obtain money or property from investors in Homestore stock by means of material

1 false and fraudulent pretenses, representations, and promises,
2 and the concealment of material facts.

3 25. Among the goals of the scheme was to ensure that
4 Homestore consistently reported that it had met or exceeded
5 projected quarterly and annual revenue results, when in truth,
6 Homestore's financial results were materially overstated.

7 II. THE OBJECTS OF THE CONSPIRACY

8 26. From in or about March 2001, and continuing through in
9 or about December 2001, within the Central District of California
10 and elsewhere, high-ranking corporate officers at Homestore,
11 together with defendant ROAH and other persons, knowingly and
12 unlawfully combined, conspired, and agreed to commit the
13 following offenses against the United States:

14 (a) to employ a device, scheme and artifice to defraud
15 in connection with the purchase and sale of Homestore securities,
16 using the means and instrumentalities of interstate commerce, in
17 violation of Title 15, United States Code, Sections 78j(b) and
18 78ff, and Title 17, Code of Federal Regulations,
19 Section 240.10b-5;

20 (b) to make untrue, false, and misleading statements of
21 material fact in reports and documents required to be filed under
22 the Securities Exchange Act of 1934 and the rules and regulations
23 thereunder, in violation of Title 15, United States Code,
24 Sections 78m(a) and 78ff, and Title 17, Code of Federal
25 Regulations, Sections 240.12b-20, 240.13a-1, and 240.13a-13; and

26 (c) to knowingly make and cause to be made materially
27 false and misleading statements to PwC in connection with its
28 review of Homestore's financial statements and the preparation of

1 the quarterly reports required to be filed with the SEC, in
2 violation of 15 U.S.C. § 78ff, and Title 17, Code of Federal
3 Regulations, Section 240.13b2-2.

4 III. THE MANNER AND MEANS OF THE CONSPIRACY

5 27. In order to achieve and to attempt to achieve the goals
6 of the scheme, high-ranking corporate officers at Homestore and
7 other persons caused Homestore to engage in a series of "round-
8 trip" transactions, whereby Homestore entered into agreements
9 with various intermediaries to facilitate the circular flow of
10 money from Homestore to the various intermediaries and then back
11 to Homestore. These "round-trip" transactions and the
12 accompanying circular flow of money enabled Homestore to
13 recognize its own cash as revenue in violation of GAAP. These
14 illegal arrangements allowed Homestore fraudulently to inflate
15 its revenue by essentially buying that revenue in violation of
16 GAAP.

17 28. Among the fraudulent round-trip transactions engaged in
18 by Homestore was a series of related agreements executed in the
19 third quarter 2001 (with "quarter" as used herein referring both
20 to the calendar year and to Homestore's fiscal year, which were
21 the same) involving Homestore, L90, defendant ROAH's business NTB
22 Media, and other entities and persons, whereby Homestore agreed
23 to purchase advertising on other websites and, in exchange, L90
24 agreed to purchase advertising from Homestore. Pursuant to these
25 agreements:

26 a. Homestore paid \$7,042,000 in advertising fees to
27 two other firms;

28 / / /

1 b. Those two firms kept a portion of Homestore's
2 payments for themselves and paid the rest to other firms,
3 including a \$507,000 payment to defendant ROAH's NTB Media;

4 c. One of the firms, which received a \$6,275,000
5 indirect payment from Homestore, paid a \$5,900,000 advertising
6 fee to L90;

7 d. L90 paid a \$5,650,000 advertising fee to
8 Homestore; and

9 e. Homestore fraudulently recognized the \$5,650,000
10 advertising fee from L90 as revenue in the third quarter 2001.

11 29. On or about December 21, 2001, Homestore announced that
12 the Audit Committee of the Board of Directors was conducting an
13 inquiry into certain of Homestore's accounting practices and that
14 Homestore would restate certain of its financial statements. The
15 Nasdaq suspended trading in Homestore's stock on December 21,
16 2001 at \$3.60 per share. Homestore's stock resumed trading on
17 January 7, 2002, and closed that day at \$2.46.

18 IV. OVERT ACTS

19 30. In furtherance of the conspiracy and in order to
20 accomplish its objects, defendant ROAH, high-ranking corporate
21 officers at Homestore, and other persons, committed and caused to
22 be committed the following overt acts, among others, within the
23 Central District of California and elsewhere:

24 OVERT ACT NO. 1: In or about July 2001, defendant ROAH
25 met with representatives from Homestore at a restaurant in
26 Westlake Village, California, and discussed the structure of the
27 round-trip agreements described in paragraph 28 above;

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1 OVERT ACT NO. 2: On or about November 1, 2001, defendant
2 ROAH sent an email to another person to which he attached a
3 spreadsheet outlining the steps necessary to accomplish the
4 circular flow of cash set forth in the round-trip agreements
5 described above.

6 OVERT ACT NO. 3: On or about November 1, 2001, high-
7 ranking corporate officers at Homestore and other persons caused
8 Homestore to issue a press release announcing the results for its
9 fiscal 2001 third quarter ended September 30, 2001. The
10 announcement was materially false in that, among other things, it
11 reported that revenues for the quarter were \$116.1 million as
12 compared to \$86.9 million from the prior year, representing an
13 increase of 34%. In fact, revenues were materially overstated by
14 approximately \$8.965 million, \$5.650 million of which was the
15 fraudulent advertising fee L90 had promised to pay Homestore as
16 described above.

17 OVERT ACT NO. 4: On or about November 13, 2001, high-
18 ranking corporate officers at Homestore and other persons, on a
19 telephone conference call with defendant ROAH, asked defendant
20 ROAH to sign a letter to PwC falsely confirming that there were
21 "no other verbal or written side arrangements relating to" the
22 \$5.650 million advertising fee L90 had promised to pay Homestore
23 (the "PwC confirmation letter"). In fact, there were several
24 "side arrangements relating to" the \$5.650 million advertising
25 fee from L90, as described in paragraph 28 above.

26 OVERT ACT NO. 5: On or about November 13, 2001, defendant
27 ROAH told high-ranking corporate officers at Homestore and other
28 persons that he wanted a \$100,000 payment in exchange for signing

1 the PwC confirmation letter.

2 OVERT ACT NO. 6: On or about November 13, 2001, defendant
3 ROAH signed the PwC confirmation letter knowing it to be false.

4 OVERT ACT NO. 7: On or about November 14, 2001, high-
5 ranking corporate officers at Homestore and other persons caused
6 Homestore to file a report with the SEC on Form 10-Q, reporting
7 its financial results for the fiscal 2001 third quarter ended
8 September 30, 2001. The reported results were materially false
9 in that they included improperly recorded advertising revenue,
10 including the \$5.650 million from L90 described above, and failed
11 to disclose that management was engaged in and directing others
12 to engage in fraudulent accounting practices.

13 OVERT ACT NO. 8: On or about November 19, 2001, defendant
14 ROAH and other persons caused L90 to transmit a \$5.65 million
15 wire transfer to Homestore in accordance with the round-trip
16 agreements described in paragraph 28 above.

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